

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

City of Grosse Pointe Park, Michigan

**Financial Report
with Supplemental Information
June 30, 2007**

City of Grosse Pointe Park, Michigan

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Proprietary Funds - Enterprise Funds:	
Statement of Net Assets	15
Statement of Revenue, Expenses, and Changes in Net Assets	16
Statement of Cash Flows	17
Fiduciary Funds - Pension and Other Employee Benefit Trust Funds - Retiree Healthcare Fund:	
Statement of Net Assets	18
Statement of Changes in Net Assets	19
Component Units:	
Statement of Net Assets	20
Statement of Activities	21
Notes to Financial Statements	22-39
Required Supplemental Information	40
Budgetary Comparison Schedule - General Fund	41
Budgetary Comparison Schedule - Capital Improvement Fund	42

City of Grosse Pointe Park, Michigan

Contents (Continued)

Other Supplemental Information	43
Nonmajor Governmental Funds:	
Combining Balance Sheet	44-45
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	46-47



Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

Independent Auditor's Report

To the City Council
City of Grosse Pointe Park, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Park, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grosse Pointe Park, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Park, Michigan as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule identified in the table of contents are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the City Council
City of Grosse Pointe Park, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grosse Pointe Park, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 24, 2007

City of Grosse Pointe Park, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Grosse Pointe Park, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City of Grosse Pointe Park, Michigan on a government-wide basis. They are designed to present a longer-term view of the City's finances. Fund financial statements follow the above-mentioned government-wide statements and illustrate how the services provided by the City were financed in the short term, as well as what remains for future spending. Additionally, fund financial statements report the City's operations in more detail than government-wide financial statements.

The City of Grosse Pointe Park, Michigan as a Whole

In a condensed format, the table below shows the comparison of net assets as of June 30, 2007 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current assets	\$ 9,017,914	\$ 2,534,934	\$ 1,297,553	\$ 1,230,299	\$ 10,315,467	\$ 3,765,233
Noncurrent assets:						
Investments	76,619	72,166	-	-	76,619	72,166
Capital assets	14,820,964	14,973,027	20,690,604	21,181,726	35,511,568	36,154,753
Total assets	23,915,497	17,580,127	21,988,157	22,412,025	45,903,654	39,992,152
Liabilities						
Current liabilities	1,899,586	1,664,853	2,385,024	2,498,023	4,284,610	4,162,877
Long-term liabilities	12,359,394	5,775,428	13,070,000	14,225,000	25,429,394	20,000,428
Total liabilities	14,258,980	7,440,281	15,455,024	16,723,023	29,714,004	24,163,305
Net Assets (Deficit)						
Invested in capital assets -						
Net of related debt	9,213,926	9,678,015	6,465,604	5,826,726	15,679,530	15,504,740
Restricted	752,280	622,486	-	-	752,280	622,486
Unrestricted	(309,689)	(160,655)	67,529	(137,724)	(242,160)	(298,379)
Total net assets (deficit)	<u>\$ 9,656,517</u>	<u>\$ 10,139,846</u>	<u>\$ 6,533,133</u>	<u>\$ 5,689,002</u>	<u>\$ 16,189,650</u>	<u>\$ 15,828,847</u>

The City's combined net assets increased 2.3 percent from a year ago, increasing from \$15.8 million to \$16.2 million. A review of governmental activities, separate from the business-type activities, reflected \$9.7 million in total net assets. Of this total, \$9.2 million is invested in capital assets net of related debt. The unrestricted portion of net assets decreased as a result of the decrease in fund balance in the General Fund.

City of Grosse Pointe Park, Michigan

Management's Discussion and Analysis (Continued)

Long-term debt from governmental activities reflected the acquisition of approximately \$7 million of voter approved bonds for the purpose of a widespread community improvement.

The net assets for business-type activities reflected an increase of approximately \$844,000 to a total of \$6,533,131 in net assets; substantially all amounts are invested in capital assets, net of related debt. The unrestricted portion of net assets increased as a result of positive operating results for the year.

Long-term debt of business-type activities reflected a reduction of \$1,155,000 as a result of principal payments upon the storm sewer system debt obligation.

The following table shows the changes in net assets for the year ended June 30, 2007 as compared with the prior year:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue:						
Charges for services	\$ 2,317,838	\$ 2,223,510	\$ 4,919,374	\$ 5,050,832	\$ 7,237,212	\$ 7,274,342
Operating grants and contributions	769,552	775,376	-	-	769,552	775,376
Capital grants and contributions	-	41,269	-	-	-	41,269
General revenues:						
Property taxes	7,663,764	7,382,074	-	-	7,663,764	7,382,074
State-shared revenues	1,085,432	1,118,554	-	-	1,085,432	1,118,554
Cable franchise fees	148,802	136,905	-	-	148,802	136,905
Investment earnings	191,688	139,238	-	-	191,688	139,238
Miscellaneous	29,115	32,912	-	-	29,115	32,912
Total revenue	12,206,191	11,849,838	4,919,374	5,050,832	17,125,565	16,900,670
Program Expenses						
General government	1,418,571	1,085,498	-	-	1,418,571	1,085,499
Public safety	5,348,899	5,444,554	-	-	5,348,899	5,444,554
Public works	3,884,800	3,250,046	-	-	3,884,800	3,250,046
Recreation and culture	1,591,636	1,615,948	-	-	1,591,636	1,615,948
Interest on long-term debt	445,614	256,301	-	-	445,614	256,301
Water and sewer	-	-	3,841,987	3,751,381	3,841,987	3,751,381
Marina	-	-	233,256	260,479	233,256	260,479
Total expenses	12,689,520	11,652,347	4,075,243	4,011,860	16,764,763	15,664,208
Change in Net Assets	(483,329)	197,491	844,131	1,038,972	360,802	1,236,462
Net Assets - Beginning of year	10,139,846	9,942,355	5,689,002	4,650,030	15,828,848	14,592,385
Net Assets - End of year	<u>\$ 9,656,517</u>	<u>\$ 10,139,846</u>	<u>\$ 6,533,133</u>	<u>\$ 5,689,002</u>	<u>\$ 16,189,650</u>	<u>\$ 15,828,847</u>

City of Grosse Pointe Park, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

Revenues for the City's governmental activities totaled \$12,206,191. These revenues were utilized to provide essential municipal services including public safety, parks and recreation activities, and street maintenance. Expenses for the City's government activities totaled \$12,689,020. This increase in expenditures is a direct result of \$529,437 expended as a result of spending the improved bond proceeds.

Public safety department expenditures accounted for 44 percent of the governmental activities operational expenditures. The public works and the recreation and culture departments represented 42 percent of the operating costs, while general and administrative costs were limited to 4 percent of the governmental activities operating costs, which reflects our primary focus of allocating resources for the delivery of essential services to residents.

The City has established a P.A. 149 account for the purpose of setting aside funds for the future retiree health costs and continued to meet its actuarial recommended contributions for the employees' defined benefit pension plan. This program is funded in part by employee contributions of 1.5 percent of gross payroll.

Business-type Activities

The City's business-type activities are recorded in the Water and Sewer and Marina Funds. The City provides water and sewer services, which are purchased from the City of Detroit Water and Sewerage Department, to all its residents. Water and sewer revenues totaled \$4,646,861 for the 2007 fiscal year. These revenues provided the principal and interest payments of \$1,466,780 for the City's storm water system debt notes. The balance of \$3,180,081 in revenues was used for general operating costs and to compensate our provider, the Detroit Water and Sewerage Department, a total of \$1,589,848 for direct water and sewer fees. These direct costs represent in total 5 percent of our operating revenues.

The balance of business-type activities represents the City's 268 well marina operations; revenues for marina boat slip rentals totaled \$272,513 for 2007 and expenses totaled \$233,256, resulting in a net profit of \$39,257.

The City's Funds

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as State of Michigan Act 51 major and local road revenue sharing. The City's major funds for 2007 include the General Fund, Capital Improvement Fund, and the Water and Sewer Fund.

City of Grosse Pointe Park, Michigan

Management's Discussion and Analysis (Continued)

The General Fund accounts for the majority of the City's governmental day-to-day services. The most significant of these were the public safety (police and fire), which incurred expenditures of approximately \$5.2 million in 2007. The general operating millage levied by the City supports these services. The Capital Improvement Fund is used by the City to account for most capital outlay expenditures. Transfers from other funds or debt issuance proceeds support these funds.

General Fund Budgetary Highlights

Over the course of the year, the City administration and City Council monitor and amend the budget to take into account unanticipated events that occur during the year. The budget was increased for revenue sources due primarily to the receipt of general obligation bonds for the year. In addition, the budget for transfers to other funds was increased to reflect additional transfers made to the Capital Improvement Fund.

Capital Asset and Debt Administration

At the end of fiscal year 2007, the City had \$35,511,568, net of depreciation, invested in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, and water and sewer lines. In addition, the City is reporting infrastructure assets, which include roads, sidewalks, and storm drains in which it has invested. The value of the infrastructure assets, net of depreciation contained in this report, is \$4,227,396 and \$4,751,944 for fiscal years 2007 and 2006, respectively (see Note 4 to the notes to the basic financial statements for additional information).

Debt reported in these financial statements is related to the construction of the above-mentioned capital and infrastructure assets and is reported as a liability on the statement of net assets (see Note 6 of the basic financial statements for additional information).

Economic Factors and Next Year's Budgets and Rates

Since 1989, the City has reduced its total property tax millage rate from 17.15 mills to the current 11.47 mills for the 2007 fiscal year. Strong expenditure controls and past growth in the City's tax base have helped to accomplish this millage rate reduction. Property taxes make up 66.3 percent of the General Fund budget. Because of Proposal A, which limits the growth on existing property to the rate of inflation, and a lessening of new growth and development in the City, future tax reductions will be unlikely. The inflation rate for this coming year is predicted to be approximately 3 percent and state revenue sharing, which represents 11.1 percent of the General Fund budget, is unlikely to increase due to state cutbacks.

City of Grosse Pointe Park, Michigan

Management's Discussion and Analysis (Continued)

On the expenditure side, the City continues to operate with relatively low personnel costs and an efficient labor force. Due to declines experienced with stock and bond markets, coupled with extended actuarial life expectancies, which significantly increased the employer pension costs along with significant increased health insurance costs, the City has efficiently offset these costs through an array of administrative changes. This includes increasing drug co-pays, modifying future retiree healthcare coverage, and staffing adjustments within the Department of Public Services and Public Safety Department.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we invite you to contact the administrative offices at City Hall.

City of Grosse Pointe Park, Michigan

Statement of Net Assets June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 243,735	\$ 241,005	\$ 484,740	\$ -
Receivables - Net:				
Taxes	400,299	-	400,299	-
Accounts	109,369	1,056,548	1,165,917	-
Other governmental units:				
Component units	204,865	-	204,865	-
Other	552,824	-	552,824	-
Internal balances (Note 5)	861,680	(861,680)	-	-
Investment in joint venture (Note 11)	76,619	-	76,619	-
Prepaid expenses and deposits (Notes 8)	184,771	-	184,771	300,000
Restricted assets (Note 7)	6,460,371	-	6,460,371	-
Capital assets (Note 4):				
Assets not depreciated	2,507,418	-	2,507,418	1,195,072
Assets being depreciated - Net	12,313,546	20,690,604	33,004,150	288,086
 Total assets	 23,915,497	 21,126,477	 45,041,974	 1,783,158
Liabilities				
Accounts payable	344,835	363,540	708,375	46,301
Accrued and other liabilities	678,518	4,804	683,322	2,604
Due to other governmental units:				
Other	18,153	-	18,153	-
Primary government	-	-	-	204,865
Noncurrent liabilities (Note 6):				
Due within one year	858,080	1,155,000	2,013,080	303,680
Due in more than one year	12,359,394	13,070,000	25,429,394	596,605
 Total liabilities	 14,258,980	 14,593,344	 28,852,324	 1,154,055
Net Assets				
Invested in capital assets - Net of related debt	9,213,926	6,465,604	15,679,530	582,873
Restricted:				
Streets	411,514	-	411,514	-
Garbage and rubbish collection	299,261	-	299,261	-
Building inspection	1,874	-	1,874	-
Drug law enforcement	39,631	-	39,631	-
Unrestricted (deficit)	(309,689)	67,529	(242,160)	46,230
 Total net assets	 \$ 9,656,517	 \$ 6,533,133	 \$ 16,189,650	 \$ 629,103

City of Grosse Pointe Park, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,418,571	\$ 1,353,637	\$ -	\$ -
Public safety	5,348,899	121,524	67,900	-
Public works	3,884,800	263,125	701,652	-
Recreation and culture	1,591,636	579,552	-	-
Interest on long-term debt	445,614	-	-	-
Total governmental activities	12,689,520	2,317,838	769,552	-
Business-type activities:				
Water and sewer	3,841,987	4,646,861	-	-
Marina	233,256	272,513	-	-
Total business-type activities	4,075,243	4,919,374	-	-
Total primary government	<u>\$ 16,764,763</u>	<u>\$ 7,237,212</u>	<u>\$ 769,552</u>	<u>\$ -</u>
Component units:				
Downtown Development Authority	\$ 85,719	\$ -	\$ -	\$ -
Tax Increment Finance Authority	828,523	-	-	-
Total component units	<u>\$ 914,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Cable franchise fees				
Investment earnings				
Miscellaneous				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (64,934)	\$ -	\$ (64,934)	\$ -
(5,159,475)	-	(5,159,475)	-
(2,920,023)	-	(2,920,023)	-
(1,012,084)	-	(1,012,084)	-
(445,614)	-	(445,614)	-
(9,602,130)	-	(9,602,130)	-
-	804,874	804,874	-
-	39,257	39,257	-
-	844,131	844,131	-
(9,602,130)	844,131	(8,757,999)	-
-	-	-	(85,719)
-	-	-	(828,523)
-	-	-	(914,242)
7,663,764	-	7,663,764	1,004,588
1,085,432	-	1,085,432	-
148,802	-	148,802	-
191,688	-	191,688	-
29,115	-	29,115	91,333
9,118,801	-	9,118,801	1,095,921
(483,329)	844,131	360,802	181,679
10,139,846	5,689,002	15,828,848	447,424
\$ 9,656,517	\$ 6,533,133	\$ 16,189,650	\$ 629,103

City of Grosse Pointe Park, Michigan

Governmental Funds Balance Sheet June 30, 2007

	Major Fund - General Fund	Major Fund - Capital Improvement Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ -	\$ -	\$ 243,734	\$ 243,734
Receivables - Net:				
Taxes	400,299	-	-	400,299
Accounts	74,811	16,315	18,244	109,370
Other governmental units:				
Component units	204,505	-	360	204,865
Other	442,672	-	110,152	552,824
Due from other funds (Note 5)	956,814	73,661	700,297	1,730,772
Restricted assets (Note 7)	-	6,460,371	-	6,460,371
Deposits (Note 8)	184,771	-	-	184,771
Total assets	<u>\$ 2,263,872</u>	<u>\$ 6,550,347</u>	<u>\$ 1,072,787</u>	<u>\$ 9,887,006</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 245,796	\$ 2,425	\$ 96,613	\$ 344,834
Checks issued in advance of deposit	276,815	-	-	276,815
Accrued and other liabilities	279,234	-	51,390	330,624
Due to other governmental units	18,153	-	-	18,153
Due to other funds	705,112	-	163,980	869,092
Total liabilities	1,525,110	2,425	311,983	1,839,518
Fund Balances				
Reserved for Capital Projects Fund	-	6,547,922	-	6,547,922
Unreserved, reported in:				
General Fund	738,762	-	-	738,762
Special Revenue Funds	-	-	758,780	758,780
Debt Service Funds	-	-	2,024	2,024
Total fund balances	<u>738,762</u>	<u>6,547,922</u>	<u>760,804</u>	<u>8,047,488</u>
Total liabilities and fund balances	<u>\$ 2,263,872</u>	<u>\$ 6,550,347</u>	<u>\$ 1,072,787</u>	<u>\$ 9,887,006</u>

City of Grosse Pointe Park, Michigan

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2007

Fund Balance - Total Governmental Funds	\$ 8,047,488
--	---------------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	14,820,964
--	------------

Investment in joint venture is not included as an asset in the governmental funds	76,619
---	--------

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:	
Notes and bonds payable	(12,067,409)
Compensated absences	(1,150,065)

Accrued interest payable is not included as a liability in the governmental funds	<u>(71,080)</u>
---	-----------------

Net Assets - Governmental Activities	<u><u>\$ 9,656,517</u></u>
---	-----------------------------------

City of Grosse Pointe Park, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2007

	Major Fund - General Fund	Major Fund - Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 6,695,773	\$ -	\$ 967,991	\$ 7,663,764
Licenses and permits	232,441	-	-	232,441
Federal sources	-	-	41,854	41,854
State sources	1,098,443	-	701,652	1,800,095
Charges for services	654,612	49,367	218,338	922,317
Fines and forfeitures	595,343	-	-	595,343
Interest and rent	355,517	880	184,400	540,797
Other	153,560	-	-	153,560
Total revenue	9,785,689	50,247	2,114,235	11,950,171
Expenditures				
Current:				
General government	1,475,105	-	-	1,475,105
Public safety	5,144,440	-	8,574	5,153,014
Public works	810,301	-	1,782,994	2,593,295
Recreation and culture	1,491,134	-	-	1,491,134
Capital outlay	-	1,068,481	70,273	1,138,754
Debt service:				
Principal	86,339	175,501	385,000	646,840
Interest	26,508	157,620	184,503	368,631
Total expenditures	9,033,827	1,401,602	2,431,344	12,866,773
Excess of Revenue Over (Under) Expenditures	751,862	(1,351,355)	(317,109)	(916,602)
Other Financing Sources (Uses)				
Transfers in	-	639,667	533,453	1,173,120
Transfers out	(882,282)	(204,288)	(86,550)	(1,173,120)
Issuance of debt	-	7,432,500	-	7,432,500
Proceeds from bond discount	-	(13,264)	-	(13,264)
Total other financing sources (uses)	(882,282)	7,854,615	446,903	7,419,236
Net Change in Fund Balances	(130,420)	6,503,260	129,794	6,502,634
Fund Balances - Beginning of year	869,182	44,662	631,010	1,544,854
Fund Balances - End of year	<u>\$ 738,762</u>	<u>\$ 6,547,922</u>	<u>\$ 760,804</u>	<u>\$ 8,047,488</u>

City of Grosse Pointe Park, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 6,502,634

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation (152,065)

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 9,356

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 660,104

Changes in accumulated employee sick and vacation pay are recorded when earned in the statement of activities (75,311)

Long-term debt issuance is reported in the statement of activities when incurred; it is not reported in the governmental funds until paid (7,432,500)

Income from a joint venture is reported in the statement of activities as it is earned; this revenue is reported in the governmental funds when distributions are received - Joint venture income 4,453

Change in Net Assets of Governmental Activities \$ (483,329)

City of Grosse Pointe Park, Michigan

Proprietary Funds Enterprise Funds Statement of Net Assets June 30, 2007

	Major Fund - Water and Sewer Fund	Nonmajor Fund - Marina Fund	Total
Assets			
Current assets:			
Cash and investments (Note 3)	\$ -	\$ 241,005	\$ 241,005
Accounts receivable - Customers - Net	1,056,548	-	1,056,548
Total current assets	1,056,548	241,005	1,297,553
Capital assets (Note 4)	20,633,743	56,861	20,690,604
Total assets	21,690,291	297,866	21,988,157
Liabilities			
Current liabilities:			
Accounts payable	357,919	5,621	363,540
Accrued and other liabilities	3,585	1,219	4,804
Due to other funds	810,680	51,000	861,680
Current portion of long-term debt (Note 6)	1,155,000	-	1,155,000
Total current liabilities	2,327,184	57,840	2,385,024
Long-term debt - Net of current portion (Note 6)	13,070,000	-	13,070,000
Total liabilities	15,397,184	57,840	15,455,024
Net Assets			
Invested in capital assets - Net of related debt	6,408,743	56,861	6,465,604
Unrestricted (deficit)	(115,636)	183,165	67,529
Total net assets	<u>\$ 6,293,107</u>	<u>\$ 240,026</u>	<u>\$ 6,533,133</u>

City of Grosse Pointe Park, Michigan

Proprietary Funds Enterprise Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2007

	Major Fund -Water and Sewer Fund	Nonmajor Fund - Marina Fund	Total
Operating Revenue - Customer billings	\$ 4,646,861	\$ 272,513	\$ 4,919,374
Operating Expenses			
Cost of water	590,082	-	590,082
Cost of sewage disposal	1,257,073	-	1,257,073
Operation and maintenance	268,155	201,889	470,044
General and administrative	890,379	17,000	907,379
Depreciation	503,523	14,367	517,890
Total operating expenses	3,509,212	233,256	3,742,468
Operating Income	1,137,649	39,257	1,176,906
Nonoperating Expense - Interest expense	(332,775)	-	(332,775)
Change in Net Assets	804,874	39,257	844,131
Net Assets - Beginning of year	5,488,233	200,769	5,689,002
Net Assets - End of year	<u>\$ 6,293,107</u>	<u>\$ 240,026</u>	<u>\$ 6,533,133</u>

City of Grosse Pointe Park, Michigan

Proprietary Funds Enterprise Funds Statement of Cash Flows Year Ended June 30, 2007

	Major Fund - Water and Sewer Fund	Nonmajor Fund - Marina Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 4,646,861	\$ 272,513	\$ 4,919,374
Payments to suppliers for water and sewage disposal	(1,829,011)	-	(1,829,011)
Payments to other suppliers and employees	(1,335,443)	(202,443)	(1,537,886)
Net cash provided by operating activities	1,482,407	70,070	1,552,477
Cash Flows from Capital and Related Financing Activities			
Principal and interest paid on capital debt	(1,462,775)	-	(1,462,775)
Purchase of capital assets	(19,632)	(7,135)	(26,767)
Net Increase in Cash and Cash Equivalents	-	62,935	62,935
Cash and Cash Equivalents - Beginning of year	-	178,070	178,070
Cash and Cash Equivalents - End of year	<u>\$ -</u>	<u>\$ 241,005</u>	<u>\$ 241,005</u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 1,137,649	\$ 39,257	\$ 1,176,906
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	503,523	14,367	517,890
Changes in assets and liabilities:			
Receivables	(4,319)	-	(4,319)
Accounts payable	(278,456)	33	(278,423)
Accrued and other liabilities	123	(587)	(464)
Due to other funds	123,887	17,000	140,887
Net cash provided by operating activities	<u>\$ 1,482,407</u>	<u>\$ 70,070</u>	<u>\$ 1,552,477</u>

There were no significant noncash investing or financing activities during the year.

City of Grosse Pointe Park, Michigan

Fiduciary Funds Pension and Other Employee Benefit Trust Funds Retiree Healthcare Fund Statement of Net Assets June 30, 2007

Assets - Investments - Mutual fund (Note 3)	\$ 503,779
Net Assets - Held in trust for pension and other employee benefits	\$ 503,779

City of Grosse Pointe Park, Michigan

Fiduciary Funds Pension and Other Employee Benefit Trust Funds Retiree Healthcare Fund Statement of Changes in Net Assets Year Ended June 30, 2007

Additions

Investment income - Net increase in fair value of investments	\$ 48,568
Contributions:	
Employee	49,331
Employer	<u>49,331</u>
Total contributions	<u>98,662</u>

Change in Net Assets 147,230

Net Assets Held in Trust for Pension and Other Employee Benefits

Beginning of year	<u>356,549</u>
End of year	<u><u>\$ 503,779</u></u>

City of Grosse Pointe Park, Michigan

Component Units Statement of Net Assets June 30, 2007

	Downtown Development Authority	Tax Increment Finance Authority	Total
Assets			
Deposits	\$ 300,000	\$ -	\$ 300,000
Capital assets (Note 4):			
Assets not being depreciated	-	1,195,072	1,195,072
Assets being depreciated - Net	-	288,086	288,086
Total assets	300,000	1,483,158	1,783,158
Liabilities			
Accounts payable	13,601	32,700	46,301
Due to other governmental units -			
Primary government	149,441	55,424	204,865
Accrued and other liabilities	-	2,604	2,604
Noncurrent liabilities (Note 6):			
Due within one year	-	303,680	303,680
Due in more than one year	-	596,605	596,605
Total liabilities	163,042	991,013	1,154,055
Net Assets			
Invested in capital assets - Net of related debt	-	582,873	582,873
Unrestricted (deficit)	136,958	(90,728)	46,230
Total net assets	<u>\$ 136,958</u>	<u>\$ 492,145</u>	<u>\$ 629,103</u>

City of Grosse Pointe Park, Michigan

Component Units Statement of Activities Year Ended June 30, 2007

		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Downtown Development Authority	Tax Increment Finance Authority	Total
Downtown Development Authority - Public works	\$ 85,719	\$ (85,719)	\$ -	\$ (85,719)
Tax Increment Finance Authority - Public works	<u>828,523</u>	<u>-</u>	<u>(828,523)</u>	<u>(828,523)</u>
Total governmental activities	<u>\$ 914,242</u>	<u>(85,719)</u>	<u>(828,523)</u>	<u>(914,242)</u>
General revenues:				
Taxes		149,571	855,017	1,004,588
Other revenues		<u>-</u>	<u>91,333</u>	<u>91,333</u>
Total general revenues		<u>149,571</u>	<u>946,350</u>	<u>1,095,921</u>
Change in Net Assets		63,852	117,827	181,679
Net Assets - Beginning of year		<u>73,106</u>	<u>374,318</u>	<u>447,424</u>
Net Assets - End of year		<u>\$ 136,958</u>	<u>\$ 492,145</u>	<u>\$ 629,103</u>

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Grosse Pointe Park, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

Reporting Entity

The City is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City, although the City has the ability to impose its will over the entities.

Blended Component Unit

Building Authority - The Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The Building Authority is reported as a nonmajor Debt Service Fund.

Discretely Presented Component Units

Downtown Development Authority - The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA collects captured property taxes in accordance with state law and budgets expenditures within the DDA district boundaries. The DDA's governing body is appointed by the City Council.

Tax Increment Finance Authority - The Tax Increment Finance Authority (TIFA) was created to encourage economic activity within the TIFA district boundaries. The TIFA collects captured property taxes in accordance with state law and budgets expenditures within the TIFA district boundaries. The TIFA's governing body is appointed by the City Council.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major governmental fund and major Enterprise Fund are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund is the City's account for construction activities for new City projects.

The City reports the following major Enterprise Fund:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fiduciary fund:

Retiree Healthcare Fund - The Retiree Healthcare Fund, a pension and other employee benefit trust fund type, accounts for the accumulation of resources that are legally restricted for payment of retiree healthcare benefits.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to compensated absences are recorded only when payment is due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its Enterprise Funds.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All accounts and property tax receivables are shown as net of allowance for uncollectible amounts.

Property Taxes - The City participates in the Delinquent Tax Revolving Fund maintained by Wayne County. Property taxes are assessed on December 31 and are levied and become a lien on July 1. These taxes are due on August 31; however, payment may be made from September 1 through February 28 with penalty. Taxes are considered delinquent and are turned over to Wayne County for collection on March 1.

The 2006 taxable valuation (real and personal property) of the City totaled \$601,371,259, on which ad valorem taxes levied consisted of 11.47 mills for the City's operating purposes, 1.72 mills for refuse, and .08 mills for public relations. The ad valorem taxes generated \$6,451,000 for general operations, \$968,000 for refuse, and \$48,000 for public relations, net of taxes captured by the DDA and TIFA. These amounts are reported in the General Fund, the Garbage and Rubbish Collection Special Revenue Fund, and General Fund, respectively, as tax revenue.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, water and sewer systems, etc.), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Roads and sidewalks	20 to 25 years
Water and sewer systems	40 to 60 years
Land improvements	20 years
Buildings and building improvements	20 to 50 years
Machinery and equipment	8 to 20 years
Marina	15 to 33 years

Deposits - The deposit in the amount of \$300,000 represents a deposit that was paid by the City for the construction of a parking lot that is expected to be completed within three years. The project was not completed; however, as of June 30, 2007, the amount of \$300,000 is deemed to be a receivable from the developer as the City expects collection, or comparable compensation.

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when due for payment (generally for employee terminations as of year end).

Long-term Obligations - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds, except transfers to other funds are budgeted as expenditures. All annual appropriations lapse at fiscal year end.

Budgets for the fiscal year commencing July 1 are prepared by the city manager and submitted to the City Council prior to May 1 each year. A public hearing is conducted to obtain taxpayer comments and the City Council legally adopts the budget through the appropriation ordinance prior to June 1.

The budget document presents information by fund, activity, and line item. The legal level of budgetary control adopted by the City Council is the activity level for the General Fund and the fund level for Special Revenue Funds. Budget amendments were not significant during the year; however, the budget was amended subsequent to June 30, 2007.

Amounts encumbered for purchase orders, contracts, and other commitments are not tracked during the year. Budget appropriations are considered to be spent only when an expenditure has been recognized (i.e., when goods are received or services are rendered).

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	Amended Budget	Actual
General Fund:		
Public safety (1)	\$ 5,102,500	\$ 5,144,440
Recreation and culture (2)	1,438,500	1,491,134
Capital Improvement Fund:		
Capital outlay (3)	529,400	1,068,481
Debt Service Fund (4)	33,600	333,121

(1), (2), and (3) - The variances are due to unexpected expenditures that were not amended for in the final budget.

(4) - The variance is due to transfers for debt service that were not amended for in the final budget.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Retiree Healthcare Fund is also authorized by Michigan Public Act 149 of 1999, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles authorized by Michigan Public Act 314 of 1965, as amended.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

The City has designated one bank for the deposit of its funds. The City's investment policy, adopted in accordance with Public Act 196 of 1997, authorizes all investments permitted by Public Act 20 of 1943.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The bank balance of the City's deposits, including the component units, whose deposits are held in the name of the City of Grosse Pointe Park, totaled \$482,592, of which \$200,000 is covered by federal depository insurance. The City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not further limit its investment choices. At June 30, 2007, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	\$ 412,223	AAA	Moody's
Mutual fund	503,779	Not rated	Not rated

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the City's mutual fund investment is subject to interest rate risk. However, maturity information is not available.

Concentration of Credit Risk - The City's investment policy places no limit on the amount that may be invested in any one issuer. At June 30, 2007, there were no investments in any one issuer (other than the U.S. government) that exceeded 5 percent of total investments.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

Governmental Activities

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets not being depreciated -				
Land	\$ 1,966,418	\$ 541,000	\$ -	\$ 2,507,418
Capital assets being depreciated:				
Roads and sidewalks	11,744,919	-	-	11,744,919
Land improvements	1,977,818	260,786	-	2,238,604
Buildings	8,348,321	-	-	8,348,321
Machinery and equipment	3,367,451	202,041	(174,306)	3,395,186
Subtotal	25,438,509	462,827	(174,306)	25,727,030
Accumulated depreciation:				
Roads and sidewalks	6,992,975	524,548	-	7,517,523
Land improvements	1,279,869	102,842	-	1,382,711
Buildings	2,396,125	217,182	-	2,613,307
Machinery and equipment	1,762,931	216,503	(79,491)	1,899,943
Subtotal	12,431,900	1,061,075	(79,491)	13,413,484
Net capital assets being depreciated	13,006,609	(598,248)	(94,815)	12,313,546
Net capital assets	\$ 14,973,027	\$ (57,248)	\$ (94,815)	\$ 14,820,964

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets being depreciated:				
Water system	\$ 285,180	\$ -	\$ -	\$ 285,180
Sewer system	26,730,951	19,633	-	26,750,584
Buildings and improvements	465,037	-	-	465,037
Machinery and equipment	575,220	-	-	575,220
Marina	406,473	7,134	-	413,607
Subtotal	28,462,861	26,767	-	28,489,628
Accumulated depreciation:				
Water system	191,357	380	-	191,737
Sewer system	6,022,535	472,926	-	6,495,461
Buildings and improvements	220,536	15,489	-	236,025
Machinery and equipment	504,328	14,727	-	519,055
Marina	342,379	14,367	-	356,746
Subtotal	7,281,135	517,889	-	7,799,024
Net capital assets	<u>\$ 21,181,726</u>	<u>\$ (491,122)</u>	<u>\$ -</u>	<u>\$ 20,690,604</u>

Component Units - The capital assets of the component units consist of land and buildings totaling \$1,195,072 and \$288,086, respectively. Depreciation and accumulated depreciation as of June 30, 2007 totaled \$5,762.

Depreciation expense was charged to programs of the governmental activities as follows:

General government	\$ 82,159
Public safety	180,718
Public works	578,588
Recreation and culture	219,610
Total governmental activities	<u>\$ 1,061,075</u>

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances in the fund financial statements is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 810,680
General Fund	Other nonmajor funds	146,134
Capital Improvements	General Fund	73,661
Other nonmajor funds	General Fund	631,451
Other nonmajor funds	Other nonmajor funds	68,846
Total		<u>\$ 1,730,772</u>

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

	Transfers Out			Total
	General Fund	Capital Improvement Fund	Other Governmental Funds	
Transfers in:				
Capital Projects Fund	\$ 698,000	\$ -	\$ -	\$ 698,000
Other governmental funds	<u>184,282 (1)</u>	<u>204,288 (2)</u>	<u>86,550 (2)</u>	<u>475,120</u>
Total	<u>\$ 882,282</u>	<u>\$ 204,288</u>	<u>\$ 86,550</u>	<u>\$ 1,173,120</u>

- (1) Transfer of discretionary funds to be used for the benefit of the community (\$698,000) and transfer for debt service payments (\$184,282)
- (2) Transfer of Act 51 revenue-sharing payments from Major Streets Fund to Local Streets Fund as permitted by state law (\$86,550) and transfer for debt service payments (\$204,208)

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements are also general obligations of the government.

Long-term debt activity is summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Governmental Activities							
General obligation bonds:							
1992 City of Grosse Pointe Park Building Authority Bonds:							
Amount of issue - \$2,285,000	4.375% -	\$130,000 -					
Maturing through 2012	5.88%	\$190,000	\$ 1,120,000	\$ -	\$ 130,000	\$ 990,000	\$ 140,000
1998 Fox Creek Limited Tax Bonds:							
Amount of issue - \$1,950,000	4.70%	\$130,000 -					
Maturing through 2013		\$175,000	1,210,000	-	130,000	1,080,000	135,000
General Obligation Unlimited:							
Tax Bonds, Series 2007:							
Amount of issue - \$7,000,000	4.00% -	\$100,000 -	-	7,000,000	13,264	6,986,736	100,000
Maturing through 2027	4.35%	\$1,300,000					
Installment purchase agreements:							
2001 Motorola 911 Radio System:							
Amount of issue - \$184,948		\$29,471 -					
Maturing through 2007	5.97%	\$31,231	60,702		29,471	31,231	31,231
2003 Parks and Recreation Activity Center - Comerica Bank:							
Amount of issue - \$2,250,000	4.00% -	\$125,000 -					
Maturing through 2018	4.60%	\$200,000	1,950,000	-	125,000	1,825,000	125,000
2003 Fire Truck:							
Amount of issue - \$617,321		\$56,868 -					
Maturing through 2013	4.95%	\$75,990	462,311	-	56,868	405,443	59,682
2005 14917 Jefferson Avenue:							
Amount of issue - \$315,000		\$63,000	252,000	-	63,000	189,000	63,000
Maturing through 2011	7.83%						
2005 14901 Jefferson Avenue:							
Amount of issue - \$300,000		\$60,000	240,000	-	60,000	180,000	60,000
Maturing through 2010	4.62%						
2006 14902 Jefferson Avenue:							
Amount of issue - \$275,000		\$91,666	-	275,000	-	275,000	91,666
Maturing through 2010	5.10%						
2006 3158 Alter Road:							
Amount of issue - \$50,000		\$16,666 -					
Maturing through 2009	5.10%	\$16,667	-	50,000	16,667	33,333	16,667
2006 3180 Alter Road:							
Amount of issue - \$57,500		\$19,166 -					
Maturing through 2009	5.10%	\$19,167	-	57,500	19,167	38,333	19,167
2006 3164 Alter Road:							
Amount of issue - \$50,000		\$16,666 -					
Maturing through 2009	5.10%	\$16,667	-	50,000	16,667	33,333	16,667
Accrued compensated absences							
			1,074,754	75,311	-	1,150,065	-
Total governmental activities							
			\$ 6,369,767	\$ 7,507,811	\$ 660,104	\$ 13,217,474	\$ 858,080

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Business-type Activities							
General obligation bonds:							
1996 Water and Sewer Fund Bonds:							
Amount of issue - \$22,615,921		\$1,130,000 -					
Maturing through 2018	2.25%	\$1,440,000	\$ 15,355,000	\$ -	\$ 1,130,000	\$ 14,225,000	\$ 1,155,000
Total business-type activities							
Component Units							
Installment Purchase Agreements:							
Land acquisition:							
Amount of issue - \$200,000							
Maturing through 2009	4.10%	\$40,000	\$ 120,000	\$ -	\$ 40,000	\$ 80,000	\$ 40,000
Land acquisition:							
Amount of issue - \$300,000							
Maturing through 2010	4.20%	\$60,000	240,000	-	60,000	180,000	60,000
Land acquisition:							
Amount of issue - \$200,000		\$10,111 -					
Maturing through 2011	7.00%	\$38,726	150,042	-	31,424	118,618	33,680
Land acquisition:							
Amount of issue - \$350,000							
Maturing through 2011	4.33%	\$70,000	350,000	-	70,000	280,000	70,000
Land acquisition:							
Amount of issue - \$125,000		\$41,666 -					
Maturing through 2010	5.10%	\$41,667	-	125,000	-	125,000	41,667
Land acquisition:							
Amount of issue - \$175,000		\$58,333 -					
Maturing through 2010	5.10%	\$58,334	-	175,000	58,333	116,667	58,333
Total component units			\$ 860,042	\$ 300,000	\$ 259,757	\$ 900,285	\$ 303,680

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Unit		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 858,080	\$ 431,485	\$ 1,289,565	\$ 1,155,000	\$ 307,069	\$ 1,462,069	\$ 303,680	\$ 26,093	\$ 329,773
2009	844,801	453,509	1,298,310	1,180,000	280,800	1,460,800	306,114	16,447	322,561
2010	940,405	426,187	1,366,592	1,205,000	253,969	1,458,969	210,393	6,626	217,019
2011	738,991	396,664	1,135,655	1,235,000	226,520	1,461,520	80,098	878	80,976
2012	762,406	364,308	1,126,714	1,260,000	198,450	1,458,450	-	-	-
2013-2017	3,035,990	1,401,506	4,437,496	8,190,000	564,638	8,754,638	-	-	-
2018-2022	2,500,000	988,900	3,488,900	-	-	-	-	-	-
2023-2027	2,400,000	335,750	2,735,750	-	-	-	-	-	-
Total	\$ 12,080,673	\$ 4,798,309	\$ 16,878,982	\$ 14,225,000	\$ 1,831,446	\$ 16,056,446	\$ 900,285	\$ 50,044	\$ 950,329

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Restricted Assets

Specific assets of the Capital Improvement Fund have been restricted for unspent bond proceeds. The total amount unspent at June 30, 2007 is \$6,460,371 in the Capital Improvement Fund. Fund balance has been reserved for the restricted assets.

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for claims related to property loss, torts, and errors and omissions. For workers' compensation claims, the City participates in the Michigan Municipal League Risk Pool. For medical benefits, the City previously purchased commercial insurance. As described below, the City is partially self-insured for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program for workers' compensation claims operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The City is self-funding medical benefits up to a retention amount, at which time the City's reinsurance coverage begins. The self-funding program is done in conjunction with the cities of Grosse Pointe, Grosse Pointe Farms, Grosse Pointe Woods, and the Village of Grosse Pointe Shores. The Village of Grosse Pointe Shores serves as the administrative agent for the program; however, each municipality is responsible for its individual claims.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note 8 - Risk Management (Continued)

The City records the deposits made to the claims administrator for payment of future claims in the amount of \$184,771 in the General Fund. The City estimates the liability for medical benefits claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The City's liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. The entire liability is current and is recorded in the General Fund and government-wide statement of net assets. The changes in the estimated liability for the year ended June 30, 2007 are as follows:

Estimated liability - Beginning of year	\$ 136,780
Estimated claims incurred	1,042,435
Claim payments	<u>(1,052,446)</u>
Estimated liability - End of year	<u>\$ 126,769</u>

Note 9 - Pension Plan

Plan Description - The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for municipalities throughout the state of Michigan. The system covers substantially all City employees and provides retirement, disability, and death benefits to plan members and their beneficiaries.

The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

Employee membership data as of June 30, 2007 is as follows:

Active members	84
Retirees and beneficiaries	80
Inactive vested participants	<u>5</u>
Total plan participants	<u>169</u>

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note 9 - Pension Plan (Continued)

All full-time City employees are eligible to participate in the MERS. Benefits vest after 10 years of service. City employees who retire at or after attaining a minimum service retirement age of 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to their average annual compensation during their last five years of employment multiplied by an entitled benefit percentage, for each year of credited service. The minimum service retirement age may be reduced with additional years of credited service. The MERS also provides death and disability benefits. These benefit provisions are established by state statutes and City ordinance.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by City ordinance and requires a contribution from the employees of varying amounts up to 5.5 percent of gross wages.

Annual Pension Costs - For the year ended June 30, 2007, the City's annual pension cost of \$620,830 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a rate of return on investment of present and future assets of 8 percent per year, (b) projected salary increases of 4.5 percent per year compounded annually, (c) additional projected salary increases of up to 4.2 percent per year (depending on age) attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent per year after retirement.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2007	2006	2005
Annual pension cost (APC)	\$ 620,830	\$ 507,296	\$ 375,609
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note 9 - Pension Plan (Continued)

Schedule of Funding Progress

	Actuarial Valuation as of December 31		
	2006	2005	2004
Actuarial value of assets	\$ 23,078,619	\$ 22,151,821	\$ 21,704,220
Actuarial Accrued Liability (AAL)			
(entry age)	\$ 30,063,722	\$ 28,883,038	\$ 27,700,583
Unfunded AAL (UAAL)	\$ 6,985,103	\$ 6,731,217	\$ 5,996,363
Funded ratio	77%	77%	78%
Covered payroll	\$ 5,215,093	\$ 5,129,892	\$ 4,906,359
UAAL as a percentage of covered payroll	134%	131%	122%

Note 10 - Other Postemployment Benefits

The City provides postemployment healthcare benefits to all qualifying employees in accordance with labor contracts. These healthcare benefits are financed on a pay-as-you-go basis. Currently, 43 retirees meet the eligibility requirements. The City pays all of the medical insurance premiums for general employees until age 65. Expenditures for postemployment healthcare benefits of approximately \$369,000 were recognized as paid during the year ended June 30, 2007.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new standard will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2007

Note 11 - Joint Venture

The City is a member of the Grosse Pointes-Clinton Refuse Disposal Authority (the "Authority") joint venture, which provides refuse disposal services to participating municipalities in the counties of Wayne and Macomb, Michigan. Other members include the cities of Grosse Pointe Farms, Grosse Pointe, Grosse Pointe Woods, Harper Woods, Mount Clemens, the Village of Grosse Pointe Shores, and the Township of Clinton. The City Council appoints one member to the Authority's governing board, which then approves its annual budget. The Authority currently contracts with a commercial refuse disposal company and bills members for their proportionate share of the costs.

The City's interest in the net assets of the Authority totaled \$76,619 at June 30, 2007 and is reported as part of the governmental activities in the statement of net assets. The City is unaware of any circumstances, including potential environmental remediation, that would cause an additional burden to the participating municipalities in the near future. Complete financial statements for the Authority can be obtained from its administrative offices at 27941 Harper Avenue, Suite 106, St. Clair Shores, MI 48081.

Required Supplemental Information

City of Grosse Pointe Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 6,650,000	\$ 6,650,000	\$ 6,695,773	\$ 45,773
Licenses and permits	188,600	188,600	232,441	43,841
State sources	1,130,100	1,130,100	1,098,443	(31,657)
Charges for services	643,300	643,300	654,612	11,312
Fines and forfeitures	614,700	614,700	595,343	(19,357)
Interest and rent	266,500	266,500	355,517	89,017
Other	448,100	198,100	153,560	(44,540)
Total revenue	9,941,300	9,691,300	9,785,689	94,389
Expenditures				
General government	1,490,300	1,490,300	1,475,105	15,195
Public safety	5,102,500	5,102,500	5,144,440	(41,940)
Public works	900,000	958,000	810,301	147,699
Recreation and culture	1,398,700	1,438,500	1,491,134	(52,634)
Debt service	112,800	112,800	112,847	(47)
Transfers to other funds	1,085,800	1,095,800	882,282	213,518
Total expenditures	10,090,100	10,197,900	9,916,109	281,791
Excess of Expenditures Over Revenue	(148,800)	(506,600)	(130,420)	376,180
Fund Balance - Beginning of year	869,182	869,182	869,182	-
Fund Balance - End of year	<u>\$ 720,382</u>	<u>\$ 362,582</u>	<u>\$ 738,762</u>	<u>\$ 376,180</u>

City of Grosse Pointe Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Capital Improvement Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 40,000	\$ 40,000	\$ 49,367	\$ 9,367
Interest and rent	-	-	880	880
Transfer from other funds	-	-	639,667	639,667
Issuance of debt	-	-	7,419,236	7,419,236
Total revenue	40,000	40,000	8,109,150	8,069,150
Expenditures				
Capital outlay	429,400	529,400	1,068,481	(539,081)
Debt service	33,600	33,600	333,121	(299,521)
Transfers to other funds	330,000	330,000	204,288	125,712
Total expenditures	793,000	893,000	1,605,890	(712,890)
Excess of Revenue Over (Under)				
Expenditures	(753,000)	(853,000)	6,503,260	7,356,260
Fund Balance - Beginning of year	44,662	44,662	44,662	-
Fund Balance - End of year	<u>\$ (708,338)</u>	<u>\$ (808,338)</u>	<u>\$ 6,547,922</u>	<u>\$ 7,356,260</u>

Other Supplemental Information

City of Grosse Pointe Park, Michigan

	Special Revenue Funds						
	Major Roads	Local Roads	Garbage and Rubbish Collection	Building Inspection Department	Drug Law Enforcement	Community Development Block Grant	Total Special Revenue Funds
Assets							
Cash and investments	\$ 127,175	\$ -	\$ -	\$ 21,381	\$ 41,546	\$ 51,655	\$ 241,757
Receivables - Net:							
Accounts	-	-	18,244	-	-	-	18,244
Other governmental units:							
Component units	-	-	-	-	-	-	-
Other	80,483	29,669	-	-	-	-	110,152
Due from other funds	<u>273,783</u>	<u>68,346</u>	<u>357,481</u>	<u>-</u>	<u>187</u>	<u>-</u>	<u>699,797</u>
Total assets	<u>\$ 481,441</u>	<u>\$ 98,015</u>	<u>\$ 375,725</u>	<u>\$ 21,381</u>	<u>\$ 41,733</u>	<u>\$ 51,655</u>	<u>\$ 1,069,950</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 934	\$ 1,063	\$ 74,285	\$ 18,229	\$ 2,102	\$ -	\$ 96,613
Accrued and other liabilities	2,491	2,831	2,179	1,278	-	42,611	51,390
Due to other funds	<u>68,571</u>	<u>92,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,544</u>	<u>163,167</u>
Total liabilities	71,996	95,946	76,464	19,507	2,102	45,155	311,170
Fund Balances - Unreserved	<u>409,445</u>	<u>2,069</u>	<u>299,261</u>	<u>1,874</u>	<u>39,631</u>	<u>6,500</u>	<u>758,780</u>
Total liabilities and fund balances	<u>\$ 481,441</u>	<u>\$ 98,015</u>	<u>\$ 375,725</u>	<u>\$ 21,381</u>	<u>\$ 41,733</u>	<u>\$ 51,655</u>	<u>\$ 1,069,950</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007**

Debt Service Funds			
General Debt	Building Authority Debt	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ 590	\$ 1,387	\$ 1,977	\$ 243,734
-	-	-	18,244
360	-	360	360
-	-	-	110,152
<u>500</u>	<u>-</u>	<u>500</u>	<u>700,297</u>
<u>\$ 1,450</u>	<u>\$ 1,387</u>	<u>\$ 2,837</u>	<u>\$ 1,072,787</u>
\$ -	\$ -	\$ -	\$ 96,613
-	-	-	51,390
<u>813</u>	<u>-</u>	<u>813</u>	<u>163,980</u>
813	-	813	311,983
<u>637</u>	<u>1,387</u>	<u>2,024</u>	<u>760,804</u>
<u>\$ 1,450</u>	<u>\$ 1,387</u>	<u>\$ 2,837</u>	<u>\$ 1,072,787</u>

City of Grosse Pointe Park, Michigan

	Special Revenue Funds						
	Major Roads	Local Roads	Garbage and Rubbish Collection	Building Inspection Department	Drug Law Enforcement	Community Development Block Grant	Total Special Revenue Funds
Revenue							
Property taxes	\$ -	\$ -	\$ 967,991	\$ -	\$ -	\$ -	\$ 967,991
Federal sources	-	-	-	-	-	41,854	41,854
State sources	490,165	211,487	-	-	-	-	701,652
Charges for services	-	-	143,924	69,834	4,580	-	218,338
Interest and rent	1,550	1,450	-	-	-	-	3,000
Total revenue	491,715	212,937	1,111,915	69,834	4,580	41,854	1,932,835
Expenditures							
Current:							
Public safety	-	-	-	-	8,574	-	8,574
Public works	308,672	311,950	1,034,694	127,678	-	-	1,782,994
Capital outlay	3,825	1,848	22,746	-	-	41,854	70,273
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	312,497	313,798	1,057,440	127,678	8,574	41,854	1,861,841
Excess of Revenue Over (Under) Expenditures	179,218	(100,861)	54,475	(57,844)	(3,994)	-	70,994
Other Financing Sources (Uses)							
Transfers in	-	86,550	-	58,800	-	-	145,350
Transfers out	(86,550)	-	-	-	-	-	(86,550)
Total other financing sources (uses)	(86,550)	86,550	-	58,800	-	-	58,800
Net Change in Fund Balances	92,668	(14,311)	54,475	956	(3,994)	-	129,794
Fund Balances - Beginning of year	316,777	16,380	244,786	918	43,625	6,500	628,986
Fund Balances - End of year	\$ 409,445	\$ 2,069	\$ 299,261	\$ 1,874	\$ 39,631	\$ 6,500	\$ 758,780

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2007

Debt Service Funds			
General Debt	Building Authority Debt	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 967,991
-	-	-	41,854
-	-	-	701,652
-	-	-	218,338
-	181,400	181,400	184,400
-	181,400	181,400	2,114,235
-	-	-	8,574
-	-	-	1,782,994
-	-	-	70,273
255,000	130,000	385,000	385,000
133,103	51,400	184,503	184,503
388,103	181,400	569,503	2,431,344
(388,103)	-	(388,103)	(317,109)
388,103	-	388,103	533,453
-	-	-	(86,550)
388,103	-	388,103	446,903
-	-	-	129,794
637	1,387	2,024	631,010
<u>\$ 637</u>	<u>\$ 1,387</u>	<u>\$ 2,024</u>	<u>\$ 760,804</u>



Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

October 24, 2007

To the City Council
City of Grosse Pointe Park
15115 East Jefferson
Grosse Point Park, MI 48230

Dear Council Members:

We recently completed our audit of the basic financial statements of the City of Grosse Pointe Park (the "City") for the year ended June 30, 2007. As a result of our audit, we have the following comments and recommendations for your review and consideration.

Overview of the City's Audit Results

As in previous years, we have issued an "unqualified" audit opinion letter on the City's annual audited financial report for the year ended June 30, 2007. An unqualified opinion is the highest level of assurance permitted by our profession and the wording contained in our opinion letter is prescribed by the American Institute of Certified Public Accountants (AICPA). Thus, although our independent auditor's opinion is the best possible opinion a financial statement could receive, it does not permit us to provide a general comment on the quality of the City's accounting records and controls. We feel that it is important to note that we found the overall quality of the City's preparation for audit to be excellent. We would like to thank the City's finance officer, Jane Baht, as well as all of the City personnel for their assistance during this audit process.

New Auditing Standards

Major and comprehensive changes were recently made to auditing rules that will impact the City's audits beginning next year. These new auditing standards require significant changes in how audits are done and how the results of the auditor's work are communicated to clients, bringing auditing rules of governmental units into closer alignment with the standards imposed on audits of public companies under Sarbanes-Oxley.

These new rules, which are known collectively as the Risk Assessment Standards, require auditors to:

- More thoroughly examine and evaluate clients' accounting processes and controls, including the overall control environment, key controls over significant transactions, and the quality of internal oversight of the financial reporting process
- More thoroughly assess and document conditions in clients' systems and processes that create risks of material misstatement in their financial statements, and perform additional testing in response to these risks



- Design and perform more analytical tests of accounting and financial data
- Apply more stringent standards in identifying, assessing, and communicating internal control deficiencies
- Communicate more information about the results of the auditor's work to individuals involved in overseeing strategic direction and accountability for operations

As a practical effect of these new rules, auditors will need to make more detailed and specific requests for information from clients, particularly about processes and controls, and clients will need to do more work to be well prepared for their audits. The new rules also will require increased audit testing and more thorough auditing procedures, and will increase the amount of related documentation that auditors must prepare and maintain.

Plante & Moran, PLLC began analyzing these new standards and incorporating the necessary changes into our audit process and tools more than a year ago. It is clear that the new rules will require us to perform more audit procedures than we have in the past. Our firm has invested heavily to implement our new audit methodology and train our staff on these changes and will continue to do so over the next several months. Our goal is to have our staff trained and working with our clients to prepare for the transition to these new rules well in advance of the required implementation date.

As we move forward, we will be communicating more specifically about how these matters will affect the City's next financial statement audit. In addition, we plan to begin to work with the City's staff during the upcoming year in a number of areas, including review and documentation of internal accounting procedures and controls, to ensure a smooth transition to these new standards.

The primary objective of these new rules is to strengthen and enhance the independent audit of financial statements, including more thorough evaluation and information about the City's internal accounting and financial reporting processes and controls. We believe that these new rules, and the additional communications the board will receive from us about the results of our audit work, will enhance the value received from the financial statement audit.

Report on Internal Control

Beginning with this year's audit, national auditing standards now call for auditors to communicate matters to the governing body that may be useful to you in your oversight of the City's financial management. Specifically, they require us to report internal control issues to you that that may be relatively minor, in order to allow you to evaluate their significance and make any changes you may deem appropriate. The purpose of these new standards is to allow you an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this new communication will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the City of Grosse Pointe Park as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the City's internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We believe the following deficiencies constitute significant deficiencies:

Accrual Adjustments

The City maintains interest expense in the Water and Sewer Fund on a cash basis during the course of the year. The City has calculated the amount of interest required to be accrued at year end, but has not adjusted the financial statements for this amount.

Installment Agreements

The City purchased three parcels of land during the year and financed the purchases through installment agreements. The revenue with the corresponding expenditures was not recorded on the trial balance but was recorded at year end by the auditors for proper presentation on the financial statements.

We bring these items to your attention since they meet the above definition of a matter to be communicated.

This communication is intended solely for the information and use of management, City Council, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

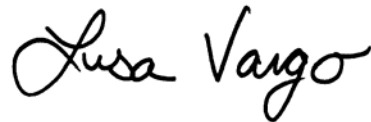
We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Mark R. Hurst", with a stylized flourish at the end.

Mark R. Hurst

A handwritten signature in black ink, appearing to read "Lisa Vargo", written in a cursive style.

Lisa M. Vargo